

Financing through Producer Responsibility

August 25, 2008

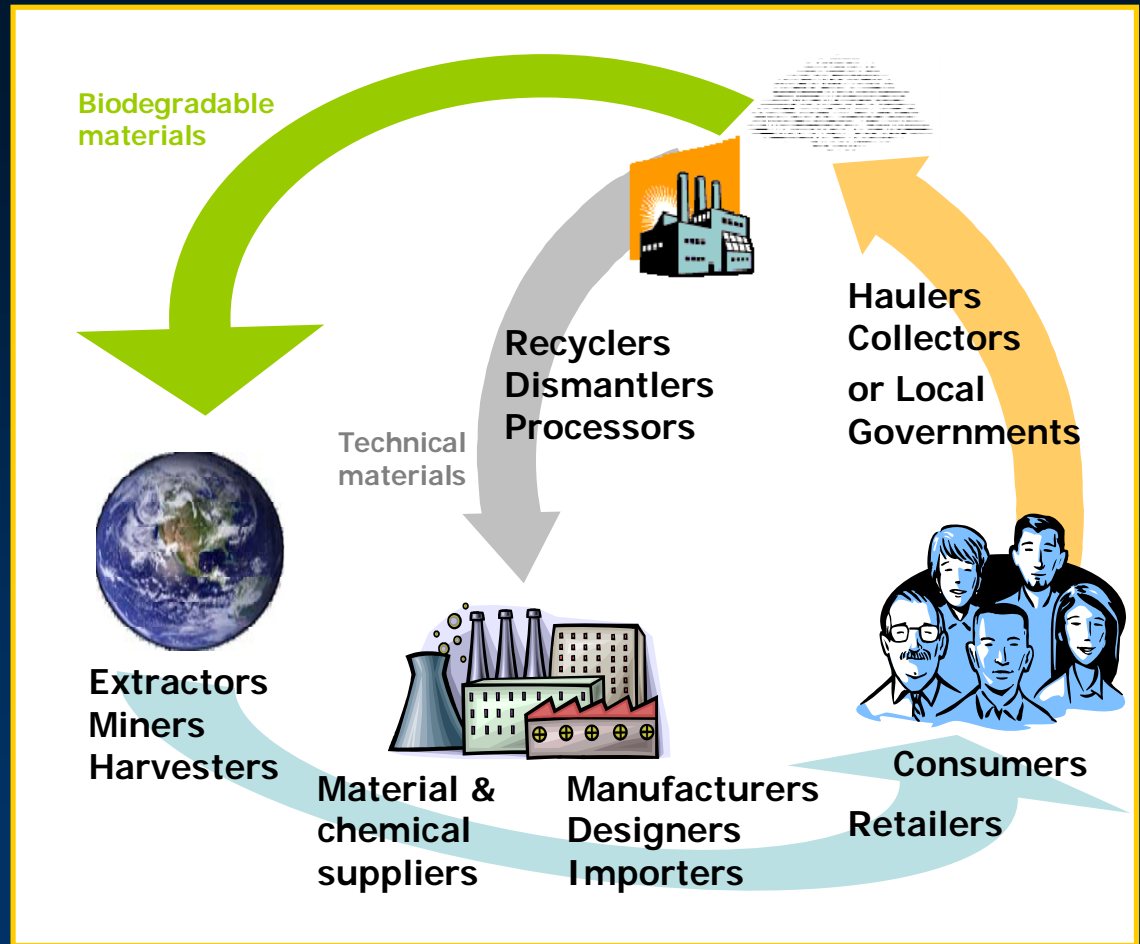
Kathy Frevert

**California Environmental Protection Agency
Integrated Waste Management Board**

CIWMB Producer Responsibility

Feb 07 Board Adopted Strategic Directive 5

- Seek statutory authority
- “Cradle-to-cradle” producer responsibility
- Producer-financed + producer-managed systems



Cradle-to-Cradle Producer Responsibility Concept

- **The diagram on the previous slide illustrates the cradle-to-cradle producer responsibility concept.**
- **Raw materials are extracted from the earth. Many tons of materials may be moved and processed to create a few pounds of raw material.**
- **Once extracted, raw materials are converted or processed into materials and chemicals that go to manufacturers. Product and packaging designers have an important role in selecting the materials used and how the final product will potentially impact the environment.**

Cradle-to-Cradle Producer Responsibility Concept continued..

- **The product then moves through a distribution and transportation system to a retailer or perhaps more directly to an end customer.**
- **The customer uses the product and then what? It ideally gets reused or recycled, or if it is a biological nutrient and completely compostable, it may safely go back to back to the earth following a different processing flow. This system allows materials to be used over and over. It illustrates a cradle-to cradle concept and zero waste.**
- **When products are reused or recycled, energy and pollution usually are much less than products made with virgin materials because the first step of extracting raw materials may be eliminated or reduced.**

Why EPR?

- ↑ source reduction
Drive ↓ disposal
- ↓ High burden
local jurisdictions
- Fix ineffective system



Benefits

Improve human health and environment

Equitable distribution of costs

Create incentives through market

What is Extended Producer Responsibility?

Extension of the responsibility of producers, and *all entities* involved in the product chain, to reduce the cradle-to-cradle impacts of a product and its packaging; the primary responsibility lies with the producer, or brand owner, who makes design and marketing decisions.

How EPR works?

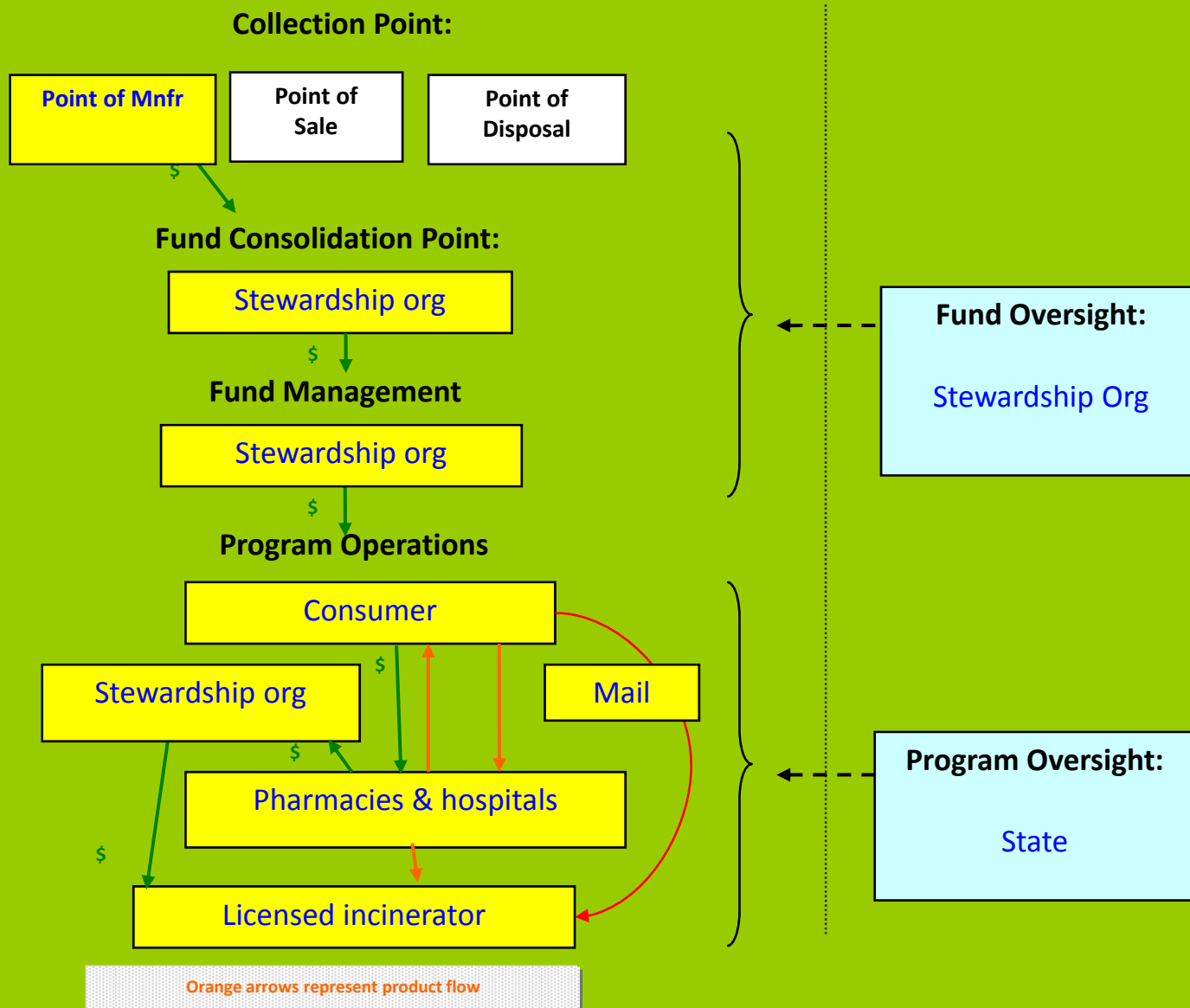
Producers, with others in product chain,
have a responsibility to...

- Design, implement and manage own program to meet certain goals, standards, and recovery rates set by state
- Can do alone or hire another organization to do above

Funding Related Considerations

- **Funding Mechanism:** *Fee (invisible or visible) or Tax*
- **Funding Approach:** *Mandatory or Voluntary*
- **Fee Collection:** *Point of Manufacture or Sale*
- **Fee Structure:** *Varied by environmental impact or flat fee*
- **Fund Consolidation**
Point: *State, Stewardship Organization (SO), Producer or None*
- **Fund Oversight and Management:** *State, SO, Producer, None*
- **Program Oversight:** *State*
- **Program Operations:** *Customized for product*

Hypothetical Example of Financing Flow



Hypothetical Example of Financing Flow

- The diagram on the previous slide illustrates a hypothetical example of how funds would flow from one entity to another in an extended producer responsibility system for pharmaceutical products.
- In this example, funds from the manufacturers are consolidated by a stewardship organization, which then manages the funds and uses them to pay for the program operations that includes materials collection and safe waste management through incineration. The later process is overseen by State government.

Benefits of EPR:

- Encourages smaller government
- Reduces costs to local government
- Provides taxpayer relief
- Supports concept that industry operates more efficiently than government
- Reduce subsidy to manufacturers on selected products with EOL challenges

EPR Framework Overview

- Legislative authority needed
- CIWMB would
 - develop regulations to define process and procedures
 - use process to select products
- Producers define programs (with other stakeholders), individual or in group
- Customize for product categories
- <http://www.ciwmb.ca.gov/EPR>

Questions?

Contact the EPR Team at: EPR@ciwmb.ca.gov

Kathy Frevert

kfrevert@ciwmb.ca.gov

916-341-6476

Cynthia Dunn

cdunn@ciwmb.ca.gov

916-341-6449

Robert Carlson

rcarlson@ciwmb.ca.gov

916 -341-6595